



ANNUAL REPORT 1970

Windsor Raceway Holdings Limited





**Windsor Raceway Holdings
LIMITED**

**INTERIM REPORT
TO SHAREHOLDERS**

**WINDSOR RACEWAY HOLDINGS
LIMITED**

P.O. Box 998

Windsor 14, Ontario

Telephones: (519) 969-8311 Windsor
(313) 961-9545 Detroit

Six months ended March 31, 1970

WINDSOR RACEWAY HOLDINGS LIMITED

INTERIM REPORT TO SHAREHOLDERS

We are pleased to submit unaudited statements of income and of source and application of funds for the first six months ended March 31, 1970 with comparative figures for the same period in 1969. The financial statements cover the October to March harness racing season. Since there will be no further racing until after the end of the current fiscal year, the revenue for the last six months ending September 30 will be minimal.

It has been customary in previous years to include in the interim report a projection of the operating results for the full fiscal year ending on September 30. In view of the fairly recent change in management and some uncertainty as to the provisions for expenses, taxes and other costs to be made during the final six months of the fiscal year, we have decided to exclude such projection this year.

The racing season reflected in the enclosed financial statements established new records. Gross revenue increased to \$9,577,724 representing an increase of more than 16% over last year. Net income was up by about 19% to \$1,312,192 notwithstanding an increase of more than 16% in the purses paid by the Company to winning horsemen. It was indeed a satisfying season of racing and we extend our thanks to all those who made it possible.

This is the first report to the shareholders since control of the Company was acquired by F-I-C Fund Inc. of Montreal. F-I-C Fund now holds approximately 56% of the outstanding common shares and approximately 69% of the outstanding units of Class A and Class B shares.

The following are the directors and officers of the Company:

Director and Chairman of the Board — Aimé Des Rosiers
Director and President — William Rowe
Secretary — Ronald C. Brown
Other Directors: Ernest G. Ayers, Donald Coyle, J.-Louis Lévesque, Pierre Mercier, Hon. W. Earl Rowe, Albert Siegel and Robert M. Sutherland.

Mr. Lévesque, who had indicated last February that he would accept the Chairmanship of the Board only on an interim basis, has now relinquished this office. He will, however, continue as a director of the Company and expects to take an active interest in its affairs.

Following the last annual meeting of shareholders we retained Woods, Gordon & Co., management consultants, to undertake an investigation of the Company's financial and administrative operations. We expect that the report of the management consultants should be completed by the end of June.

Your board of directors is proposing to modify and expand track facilities to permit thoroughbred racing in 1971. Plans for these changes are just now being prepared and we cannot at this time give you any estimate of cost. We can say, however, that this will be a limited expansion of facilities and will not involve any extension of the grandstand.

We are looking forward to the commencement of our 1970-71 racing season, tentatively scheduled for October 5, which we are confident will produce another successful harness racing meet and which we are hopeful will see the reintroduction of thoroughbred racing to the City of Windsor.

On behalf of the board of directors,
AIMÉ DES ROSIERS
Chairman of the Board
WILLIAM ROWE
President

Toronto,
 May 28, 1970

WINDSOR RACEWAY HOLDINGS LIMITED

STATEMENT OF INCOME (not audited) six months ended March 31, 1970 (with comparative figures for 1969)

	1970	1969
REVENUE:		
Pari-mutuel commissions	\$6,653,250	\$5,574,925
Admissions, parking, restaurant and programs	2,886,568	2,608,514
Interest and other income	37,906	30,889
	<u>9,577,724</u>	<u>8,214,328</u>
EXPENSES:		
Purses	2,558,245	2,187,750
Salaries and wages	1,415,524	1,227,767
Other operating expenses	1,671,559	1,413,542
General and administrative	334,086	485,412
Depreciation	459,985	445,000
Amortization	190,133	190,133
Interest on long term debt		39,225
	<u>6,629,532</u>	<u>5,988,829</u>
INCOME BEFORE INCOME TAXES	2,948,192	2,225,499
INCOME TAXES:		
Current taxes payable	1,311,000	750,000
Deferred taxes	325,000	375,000
	<u>1,636,000</u>	<u>1,125,000</u>
NET INCOME	<u>\$1,312,192</u>	<u>\$1,100,499</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS (not audited) six months ended March 31, 1970 (with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
Operations:		
Net income for period	\$1,312,192	\$1,100,499
Add items not requiring an outlay of funds		
Depreciation	459,985	445,000
Amortization	190,133	190,133
Deferred income taxes	325,000	375,000
Total funds provided from operations	2,287,310	2,110,632
Issue of common shares		375,000
	<u>2,287,310</u>	<u>2,485,632</u>
APPLICATION OF FUNDS		
Increase in investment in subsidiary companies	1,881	1,091
Additions to fixed assets	23,176	49,995
Dividends	56,306	816,869
Reduction in non-current portion of mortgage payable		1,425,817
	<u>81,363</u>	<u>2,293,772</u>
Increase in working capital for period	2,205,947	191,860
Working capital, beginning of year	315,364	579,023
Working capital March 31	<u>\$2,521,311</u>	<u>\$ 770,883</u>

NOTE: These statements are subject to year-end adjustment and audit.

AR15

Cop report

**Windsor Raceway Holdings
LIMITED**

**PRELIMINARY REPORT
TO SHAREHOLDERS**

**WINDSOR RACEWAY HOLDINGS
LIMITED**

P.O. Box 998

Windsor 14, Ontario

Telephones: (519) 969-8311 Windsor
(313) 961-9545 Detroit

Year ended September 30, 1970

Free

PRELIMINARY REPORT TO SHAREHOLDERS

Dear Shareholder:

In my letter to the shareholders of October 5, 1970, I advised that the Company's financial year was being changed from September 30 to December 31 and that the audited financial statements for the year ended September 30, 1970 and for the three-month period ending December 31, 1970 would be submitted to the shareholders at the next annual meeting which we expect will be held in March 1971.

In view of the delay in holding the annual meeting of shareholders, your board of directors authorized the issuance of this preliminary report on the results of operations for the year ended September 30, 1970.

Gross revenue for the year increased to \$9,666,676 representing an increase of about 16.9% over last year. Net income was up by about 5.8% to \$963,674 representing earnings per share as follows:

Class of Share	1970	1969
Class A	\$1.31	\$1.27
Class B	.67	.63
Common	(.67)	(.63)

Your board of directors is proceeding with its plans for thoroughbred racing in 1971 and we now expect to have a 4-day meet beginning in mid-May.]

On behalf of the board of directors,

AIMÉ DES ROSIERS
Chairman of the Board

Windsor,
January 27, 1971

STATEMENT OF INCOME

year ended September 30, 1970
(with comparative figures for the year ended
September 30, 1969)

	1970	1969
REVENUE:		
Pari-mutuel commissions.....	\$6,079,708	\$5,060,697
Admissions, parking, programs and concessions.....	2,760,793	2,516,941
Interest, exchange and other income	826,175	691,022
	<u>\$9,666,676</u>	<u>8,268,660</u>
EXPENSES:		
Purses.....	2,558,245	2,187,751
Salaries and wages.....	1,662,574	1,366,797
Other operating expenses.....	1,891,916	1,596,271
General and administrative.....	629,752	351,257
Depreciation.....	459,985	447,053
Amortization of deferred expenditures	190,133	190,133
Interest on long-term debt.....		40,931
	<u>7,392,605</u>	<u>6,180,193</u>
INCOME BEFORE INCOME TAXES.....	2,274,071	2,088,467
INCOME TAXES.....	1,310,397	1,178,000
NET INCOME FOR THE YEAR	<u>\$ 963,674</u>	<u>\$ 910,467</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

year ended September 30, 1970
(with comparative figures for the year ended
September 30, 1969)

	1970	1969
SOURCE OF FUNDS:		
Operations:		
Net income for the year.....	\$ 963,674	\$ 910,467
Add items not involving a current outlay of funds:		
Depreciation.....	459,985	447,053
Amortization.....	190,133	190,133
Deferred income taxes.....	366,397	356,000
Write-off of land purchase option	7,000	
	<u>1,987,189</u>	<u>1,903,653</u>
Issue of common shares.....		375,000
Decrease in investment in subsidiary companies.....	2,224	1,285
	<u>1,989,413</u>	<u>2,279,938</u>
APPLICATION OF FUNDS:		
Fixed asset additions (net).....	467,128	300,911
Reduction in non-current portion of mortgages payable.....		1,425,817
Dividends.....	556,059	816,869
	<u>1,023,187</u>	<u>2,543,597</u>
Increase (decrease) in working capital.....	<u>\$ 966,226</u>	<u>(\$ 263,659)</u>

NOTE: These statements will appear in the Annual Report with accompanying explanatory notes.



WINDSOR RACEWAY HOLDINGS LIMITED
Box 998, Windsor, Ontario

directors:	ERNEST G. AYERS	Montreal, Quebec
	DONALD COYLE	Ridgewood, New Jersey
	AIMÉ DESROSIERS	Chateauguay, Quebec
	J. -LOUIS LÉVESQUE	Montreal, Quebec
	PIERRE MERCIER	Montreal, Quebec
	HON. W. EARL ROWE	Bradford, Ontario
	WILLIAM ROWE	Bradford, Ontario
	ALBERT SIEGEL	Toronto, Ontario
	ROBERT M. SUTHERLAND	Toronto, Ontario
officers:	AIMÉ DESROSIERS	Chairman of the Board
	WILLIAM ROWE	President
	RONALD C. BROWN	Secretary
	THOMAS LACHINE	Controller
solicitors:	BLAKE, CASSELS & GRAYDON	Toronto, Ontario
	McTAGUE, CLARK, HOLLAND, WHITESIDE, COUGHLIN, OUELLETTE & MAILLOUX	Windsor, Ontario
auditors:	CLARKSON, GORDON & CO.	Windsor, Ontario
transfer agents:	GUARANTY TRUST COMPANY OF CANADA	Toronto, Ontario
	NATIONAL BANK OF DETROIT	Detroit, Michigan

REPORT TO THE SHAREHOLDERS

I am pleased to present, on behalf of your Directors, the annual report of your Company together with the financial statements and report of the Auditors for the year ended September 30th, 1970, and the three months ended December 31st, 1970.

The statement of income for the year-ended September 30th, 1970 reflects an increase in gross revenue for the year to \$9,666,676, representing an increase of 16.9% over last year. Net income was up by 5.8% to \$963,674. This increase in gross revenue was due to an increase in average attendance and average daily pari-mutuel betting of 8.5% and 11.8% respectively.

The statement of income for the three months ended December 31st, 1970 reflects a decrease in gross revenue and net income of 20.2% and 44.5% respectively, in comparison with the three months ended December 31st, 1969. This decrease in gross revenue and the resultant decrease in net income was caused by a combination of factors, not the least of which was the highly uncertain economic situation which prevails generally throughout Canada and the United States, and which appears to have been felt throughout the racing industry. We were also affected by factors directly related to the Windsor-Detroit area including the prolonged General Motors strike and the extensive road construction on a number of major arteries leading to the track.

Our winter harness racing meet began on December 31st, 1970 and will continue until March 25th, 1971. Results to date indicate some reversal in the downward trend.

We are pleased to announce that night Thoroughbred racing will be introduced at Windsor Raceway commencing May 14th, 1971 and extending through July 11th, 1971. The programs will be run in the evening except for Sunday matinees with Mondays and Tuesdays dark. The capital expenditures required for expansion of present facilities to accommodate Thoroughbred racing is slightly in excess of \$1,000,000. Construction is now well underway with an anticipated completion date of mid-April, 1971.

We express our thanks to all those who, in their various capacities, enabled your Company to maintain a successful position in the racing industry.

On behalf of the Board of Directors

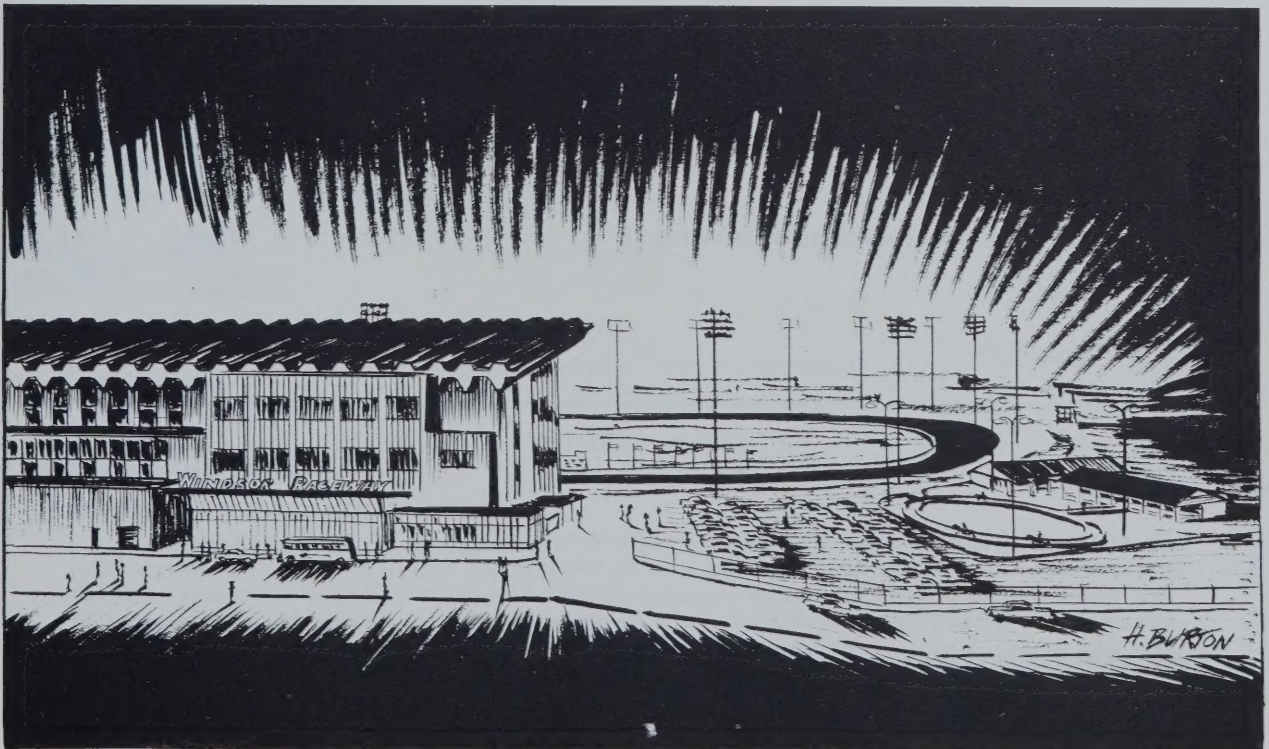
Aimé DesRosiers
Chairman

February 19, 1971

WINDSOR RACEWAY HOLDINGS LIMITED

STATISTICS

	THREE MONTHS ENDED DECEMBER 31		FISCAL YEAR ENDED SEPTEMBER 30		
	<u>1970</u>	<u>1969</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>
Number of racing programs	69	71	163	160	158
Total attendance	278,836	353,482	836,293	756,433	695,944
Average daily attendance	4,041	4,978	5,131	4,728	4,405
Total pari-mutuel wagering	19,924,278	25,030,979	61,149,564	53,665,732	49,028,646
Average pari-mutuel wagering	288,764	352,549	375,151	335,411	310,308
Average of wagers per capita	71.46	70.82	73.11	70.94	70.44



ARTIST'S SKETCH OF WINDSOR RACEWAY WITH NEW THOROUGHBRED FACILITIES SHOWN AT RIGHT

WINDSOR RACEWAY HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET – SEPTEMBER 30, 1970

(with comparative figures at September 30, 1969)

ASSETS

	1970	1969
CURRENT ASSETS		
Cash - - - - -	\$ 870,529	\$ 858,551
Marketable securities (market \$1,252,840) - - - - -	1,244,340	
Accounts receivable - - - - -	67,890	62,346
Inventories, at lower of cost or replacement cost - - - - -	57,637	45,710
Prepaid expenses - - - - -	127,699	136,155
Special refundable tax - - - - -		26,049
Total current assets - - - - -	<u>2,368,095</u>	<u>1,128,811</u>
INVESTMENT IN SUBSIDIARY COMPANIES (note 1)		
Shares, at cost - - - - -	154,591	154,591
Advances - - - - -	25,400	27,624
	<u>179,991</u>	<u>182,215</u>
FIXED ASSETS, at cost		
Buildings and equipment - - - - -	6,126,172	6,022,574
Racing strip - - - - -	920,491	900,000
Landscaping, parking lot and access roads - - - - -	740,406	408,034
	<u>7,787,069</u>	<u>7,330,608</u>
Less accumulated depreciation - - - - -	<u>2,135,257</u>	<u>1,685,940</u>
	5,651,812	5,644,668
Land - - - - -	358,268	365,268
	<u>6,010,080</u>	<u>6,009,936</u>
DEFERRED EXPENDITURES, at unamortized cost (note 2) - - - - -	<u>151,651</u>	<u>341,785</u>
	<u>\$8,709,817</u>	<u>\$7,662,747</u>

Approved by the Board:

AIMÉ DESROSIER, Director

WILLIAM ROWE, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - - - - -	\$ 340,776	\$ 73,381
Construction contracts payable - - - - -	247,631	
Income and other taxes payable (note 3) - - - - -	131,735	707,720
Mortgage principal payments - - - - -		32,346
Dividends payable - - - - -	335,363	
Current portion of deferred income taxes - - - - -	31,000	
Total current liabilities - - - - -	<u>1,086,505</u>	<u>813,447</u>
 DEFERRED INCOME TAXES (note 3) - - - - -	 <u>1,862,000</u>	 <u>1,495,603</u>
Total liabilities - - - - -	<u>2,948,505</u>	<u>2,309,050</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Class A		
Authorized and issued — 350,000 shares of U.S. \$9 par value each - - - -	3,382,369	3,382,369
Class B		
Authorized and issued — 350,000 shares of U.S. \$1 par value each - - - -	375,818	375,818
Common		
Authorized — 500,000 shares without par value		
Issued — 400,000 shares - - - - -	775,988	775,988
	4,534,175	4,534,175
 RETAINED EARNINGS - - - - -	 <u>1,227,137</u>	 <u>819,522</u>
	<u>5,761,312</u>	<u>5,353,697</u>
	<u>\$8,709,817</u>	<u>\$7,662,747</u>
(see accompanying notes to financial statements)		

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
WINDSOR RACEWAY HOLDINGS LIMITED:

We have examined the balance sheet of Windsor Raceway Holdings Limited as at September 30, 1970 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at September 30, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the previous year were examined by other Chartered Accountants.

Windsor, Ontario,
November 23, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1970

1. SUBSIDIARY COMPANIES

The company owns from 55% to 100% of the issued and outstanding shares of capital stock of its subsidiary companies which are entitled by law to conduct harness race meetings at which betting or wagering is permitted. Inasmuch as diligent enquiry and search have failed to locate substantially all of the remaining outstanding shares of these subsidiary companies, the company's management is of the opinion that the company's holdings represent complete or substantially complete control of each company.

Consolidated financial statements have not been prepared as the known assets and liabilities of the subsidiary companies are not material in relation to those of the company and the operations of the subsidiary companies are limited in scope. If consolidated financial statements had been prepared, all or substantially all of the amount of \$154,591 appearing in the balance sheet as shares in subsidiary companies would be reflected in the consolidated balance sheet as excess of cost of shares in subsidiary companies over equity in underlying assets.

The company's proportion of the aggregate profits of the subsidiary companies for the year ended September 30, 1970 and the company's proportion of the aggregate undistributed profits earned since acquisition of control are not material in amount and have not been taken into the company's accounts.

2. DEFERRED EXPENDITURES

The unamortized deferred expenditures consist of the following:

	1970	1969
Pre-operating costs	\$120,570	\$145,163
Cost of arranging mortgage loans	31,081	46,622
Expenses of public issue of capital stock		150,000
	<u>\$151,651</u>	<u>\$341,785</u>

The company is amortizing pre-operating costs over a period of ten years and the cost of arranging mortgage loans over a period of seven years.

3. DEFERRED INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming capital cost allowances and certain other expenses in excess of those recorded in the accounts. The accumulated total of such income tax deferments is reflected in the balance sheet as "Deferred income taxes"

During the current fiscal year the company was re-assessed for income taxes and interest for the fiscal years 1966 to 1969 inclusive in the amount of approximately \$240,000. The assessments arose from a difference of opinion between the company and the Minister of National Revenue

as to the classification of assets for capital cost allowance purposes. Since the company follows deferred tax accounting, the liability has already been reflected in the accounts and the only matter in dispute is whether the taxes are payable currently or in future years. The company has filed notices of objection to these assessments.

4. CAPITAL STOCK

SHARES ISSUED

An option to purchase 75,000 common shares of the company's capital stock at a price of \$5 per share was exercised during the 1969 fiscal year.

PROVISIONS RELATING TO CAPITAL STOCK

Class A shares

The Class A shares are entitled to a cumulative, preferential cash dividend of U.S. 60¢ per share per year payable quarterly, and to participate equally, share for share, with the Class B and common shares in any other dividends declared during any fiscal year until all of the Class B shares have been redeemed. After all of the Class B shares have been redeemed, the Class A shares are entitled to a cumulative, preferential cash dividend of U.S. 60¢ per share per year, payable quarterly, and, after payment of a non-cumulative dividend of U.S. 20¢ per share to the holders of common shares, to participate equally, share for share, with the common shares in any other dividends that may be declared during the year.

Class B shares

The company may redeem all of the Class B shares at U.S. \$1 per share at any time after dividends aggregating U.S. \$3,150,000 shall have been paid on the Class A and Class B shares. (Dividends aggregating U.S. \$1,487,500 have been paid on the Class A shares and dividends of U.S. \$280,000 have been paid on the Class B shares).

5. PURCHASE COMMITMENTS

Purchase commitments for capital expenditures outstanding at September 30, 1970 or subsequently incurred amount to approximately \$700,000.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined in The Corporations Act of Ontario) for the year ended September 30, 1970 amounted to \$152,258 (1969 — \$118,500).

7. COMPARATIVE FIGURES

The 1969 comparative figures reflect the revised basis of financial statement presentation adopted for 1970.



For the first time in Canadian harness racing history — only the fifth for worldwide competition — three horses shared victory honors in the second event of Windsor Raceway's program Wednesday evening, Oct. 14. From the rail, the deadlocked leaders were BANJO PHIL (2 - Charles Grunkemeyer), ARNOLD'S GEM (1 - Bud Foster) and BERVALDO (5 - Gerry Bookmyer). A close fourth was MARY KENT (4 - Greg Wright) in this historic finish. In a specially-arranged winner-take-all match for the three dead heat winners, Bervaldo captured the \$1,000 purse.

WINDSOR RACEWAY HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET – DECEMBER 31, 1970

(with comparative figures at December 31, 1969)

ASSETS

	1970	1969
CURRENT ASSETS		
Cash - - - - -	\$1,103,198	\$1,924,901
Marketable securities (market \$551,960) - - - - -	529,650	
Accounts receivable - - - - -	241,399	167,469
Inventories, at lower of cost or replacement cost - - - - -	64,600	83,602
Prepaid expenses - - - - -	59,816	36,826
Special refundable tax - - - - -		22,423
Income taxes recoverable (note 1) - - - - -	244,042	
Total current assets - - - - -	<u>2,242,705</u>	<u>2,235,221</u>
INVESTMENT IN SUBSIDIARY COMPANIES (note 2)		
Shares, at cost - - - - -	154,591	154,591
Advances - - - - -	25,399	26,148
	<u>179,990</u>	<u>180,739</u>
FIXED ASSETS, at cost		
Buildings and equipment - - - - -	6,317,017	6,040,469
Racing strip - - - - -	920,491	900,000
Landscaping, parking lot and access roads - - - - -	796,464	410,884
	<u>8,033,972</u>	<u>7,351,353</u>
Less accumulated depreciation - - - - -	2,353,424	1,876,786
	<u>5,680,548</u>	<u>5,474,567</u>
Land - - - - -	358,268	365,268
	<u>6,038,816</u>	<u>5,839,835</u>
DEFERRED EXPENDITURES, at unamortized cost (note 3) - - - - -	<u>141,618</u>	<u>262,879</u>
	<u>\$8,603,129</u>	<u>\$8,518,674</u>

Approved by the Board:

AIMÉ DESROSIERS, Director

WILLIAM ROWE, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - - - - -	\$ 295,022	\$ 307,207
Construction contracts payable - - - - -	133,231	
Income and other taxes payable (note 4) - - - - -	275,521	758,929
Mortgage principal payments - - - - -		10,412
Dividends payable - - - - -	53,353	56,437
Current portion of deferred income taxes - - - - -	27,000	
Total current liabilities - - - - -	<u>784,127</u>	<u>1,132,985</u>
DEFERRED INCOME TAXES (note 4) - - - - -	<u>1,857,000</u>	<u>1,630,603</u>
Total liabilities - - - - -	<u>2,641,127</u>	<u>2,763,588</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Class A		
Authorized and issued — 350,000 shares of U.S. \$9 par value each - - - -	3,382,369	3,382,369
Class B		
Authorized and issued — 350,000 shares of U.S. \$1 par value each - - - -	375,818	375,818
Common		
Authorized — 500,000 shares without par value		
Issued — 400,000 shares - - - - -	775,988	775,988
	4,534,175	4,534,175
RETAINED EARNINGS - - - - -	<u>1,427,827</u>	<u>1,220,911</u>
	5,962,002	5,755,086
	<u>\$8,603,129</u>	<u>\$8,518,674</u>

(see accompanying notes to financial statements)

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
WINDSOR RACEWAY HOLDINGS LIMITED:

We have examined the balance sheet of Windsor Raceway Holdings Limited as at December 31, 1970 and the statements of income and retained earnings and source and application of funds for the three months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the three months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

The financial statements for the previous period were examined by other Chartered Accountants.
Windsor, Ontario,
January 22, 1971.

CLARKSON, GORDON & CO.
Chartered Accountants

WINDSOR RACEWAY HOLDINGS LIMITED

STATEMENT OF INCOME

Three months ended December 31, 1970

(with comparative figures for the three months ended December 31, 1969)

	1970	1969
REVENUE		
Pari-mutuel commissions - - - - -	\$2,023,260	\$2,490,029
Admissions, parking, programs and concessions - - - - -	1,046,751	1,178,761
Interest, exchange and other income - - - - -	69,467	263,451
	<u>3,139,478</u>	<u>3,932,241</u>
EXPENSES		
Purses - - - - -	845,786	1,025,019
Salaries and wages - - - - -	686,571	612,331
Other operating expenses - - - - -	707,340	806,268
General and administrative - - - - -	140,538	179,728
Depreciation - - - - -	218,167	190,846
Amortization of deferred expenditures - - - - -	10,033	78,906
Interest on long-term debt - - - - -		317
	<u>2,608,435</u>	<u>2,893,415</u>
INCOME BEFORE INCOME TAXES - - - - -	531,043	1,038,826
INCOME TAXES (note 4) - - - - -	277,000	581,000
NET INCOME FOR THE THREE MONTHS - - - - -	<u>\$ 254,043</u>	<u>\$ 457,826</u>
EARNINGS PER SHARE		
Class A - - - - -	<u>\$.33</u>	<u>\$.53</u>
Class B - - - - -	<u>\$.18</u>	<u>\$.37</u>
Common - - - - -	<u>\$.18</u>	<u>\$.37</u>

STATEMENT OF RETAINED EARNINGS

Three months ended December 31, 1970

(with comparative figures for the three months ended December 31, 1969)

	1970	1969
Retained earnings, October 1 - - - - -	\$1,227,137	\$ 819,522
Add net income for the three months - - - - -	254,043	457,826
	<u>1,481,180</u>	<u>1,277,348</u>
Dividend declared		
Class A shares — U.S. \$.15 per share (U.S. \$.15 in 1969) - - - - -	<u>53,353</u>	<u>56,437</u>
Retained earnings, December 31 - - - - -	<u>\$1,427,827</u>	<u>\$1,220,911</u>

(see accompanying notes to financial statements)

WINDSOR RACEWAY HOLDINGS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Three months ended December 31, 1970

(with comparative figures for the three months ended December 31, 1969)

	<u>1970</u>	<u>1969</u>
SOURCE OF FUNDS		
Operations		
Net income for the three months - - - - -	\$ 254,043	\$ 457,826
Add (deduct) items not involving a current outlay of funds		
Depreciation - - - - -	218,167	190,846
Amortization - - - - -	10,033	78,906
Deferred income taxes - - - - -	(5,000)	135,000
	<u>477,243</u>	<u>862,578</u>
Decrease in investment in subsidiary companies - - - - -	1	1,476
	<u>477,244</u>	<u>864,054</u>
 APPLICATION OF FUNDS		
Fixed asset additions (net) - - - - -	246,903	20,745
Dividends - - - - -	53,353	56,437
	<u>300,256</u>	<u>77,182</u>
 INCREASE IN WORKING CAPITAL - - - - -	 <u><u>\$ 176,988</u></u>	 <u><u>\$ 786,872</u></u>

(see accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

1. INCOME TAXES RECOVERABLE

During the current fiscal period the company paid amounts re-assessed for income taxes and interest for the fiscal years 1966 to 1969 inclusive in the amount of \$244,042. The assessments arose from a difference of opinion between the company and the Minister of National Revenue as to the classification of assets for capital cost allowance purposes. The company has filed notices of objection to these assessments and should it be successful the total amount re-assessed will be recoverable. Should it not be successful the amount will be applied against "Deferred income taxes" as the liability has already been reflected in the accounts and the only matter in dispute is whether the taxes are payable currently or in future years.

2. SUBSIDIARY COMPANIES

The company owns from 55% to 100% of the issued and outstanding shares of capital stock of its subsidiary companies which are entitled by law to conduct harness race meetings at which betting or wagering is permitted. Inasmuch as diligent enquiry and search have failed to locate substantially all of the remaining outstanding shares of these subsidiary companies, the company's management is of the opinion that the company's holdings represent complete or substantially complete control of each company.

Consolidated financial statements have not been prepared as the known assets and liabilities of the subsidiary companies are not material in relation to those of the company and the operations of the subsidiary companies are limited in scope. If consolidated financial statements had been prepared, all or substantially all of the amount of \$154,591 appearing in the balance sheet as shares in subsidiary companies would be reflected in the consolidated balance sheet as excess of cost of shares in subsidiary companies over equity in underlying assets.

The company's proportion of the aggregate profits of the subsidiary companies for the three months ended December 31, 1970 and the company's proportion of the aggregate undistributed profits earned since acquisition of control are not material in amount and have not been taken into the company's accounts.

3. DEFERRED EXPENDITURES

The unamortized deferred expenditures consist of the following:

	1970	1969
Pre-operating costs	\$114,422	\$134,957
Cost of arranging mortgage loans	27,196	40,172
Expenses of public issue of capital stock		87,750
	<u>\$141,618</u>	<u>\$262,879</u>

The company is amortizing pre-operating costs over a period of ten years and the cost of arranging mortgage loans over a period of seven years.

4. DEFERRED INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming capital cost allowances and certain other expenses in excess of those recorded in the accounts. The accumulated total of such income tax deferments is reflected in the balance sheet as "Deferred income taxes".

5. PROVISIONS RELATING TO CAPITAL STOCK

Class A shares

The Class A shares are entitled to a cumulative, preferential cash dividend of U.S. 60¢ per share per year payable quarterly, and to participate equally, share for share, with the Class B and common shares in any other dividends declared during any fiscal year until all of the Class B shares have been redeemed. After all of the Class B shares have been redeemed, the Class A shares are entitled to a cumulative, preferential cash dividend of U.S. 60¢ per share per year, payable quarterly, and, after payment of a non-cumulative dividend of U.S. 20¢ per share to the holders of common shares, to participate equally, share for share, with the common shares in any other dividends that may be declared during the year.

Class B shares

The company may redeem all of the Class B shares at U.S. \$1 per share at any time after dividends aggregating U.S. \$3,150,000 shall have been paid on the Class A and Class B shares. (Dividends aggregating U.S. \$1,540,000 have been paid on the Class A shares and dividends of U.S. \$280,000 have been paid on the Class B shares).

6. PURCHASE COMMITMENTS

Purchase commitments for capital expenditures outstanding at December 31, 1970 or subsequently incurred amount to approximately \$700,000.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined in The Corporations Act of Ontario) for the three months ended December 31, 1970 amounted to \$48,893 (1969 — \$43,275).

8. COMPARATIVE FIGURES

The 1969 comparative figures reflect the revised basis of financial statement presentation adopted for 1970.

Windsor Raceway Holdings Limited

Subsidiary Companies

ABERDEEN TROTTHING AND PACING LIMITED • THE ALMONTE DRIVING PARK ASSOCIATION LIMITED
• THE AMHERSTBURG DRIVING PARK ASSOCIATION LIMITED • THE CLINTON DRIVING PARK
ASSOCIATION LIMITED • COLUMBIA COUNTRY CLUB, LIMITED • THE DESERONTO DRIVING PARK
ASSOCIATION LIMITED • GEORGIAN TURF CLUB LIMITED • THE PICTON DRIVING PARK ASSOCIATION
LIMITED • THE PRESTON DRIVING PARK ASSOCIATION LIMITED • SOUTHERN COUNTY HUNT CLUB
LIMITED • THE STRATFORD ATHLETIC COMPANY LIMITED • UNDERMOUNT TROTTHING CLUB LIMITED
THE VANCOUVER JOCKEY CLUB, LIMITED LIABILITY